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SUBJECT: LEBANON: LABOR CONFEDERATION IN HIZBALLAH'S GRIP (ECONOMIC WEEK IN REVIEW, JUNE 2 - 8, 2008)

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GENERAL LABOR CONFEDERATION HAS BEEN TRANSFORMED
INTO A POLITICAL TOOL, DISREGARDS LABOR DEMANDS

11. (SBU) According to a long-time employee at the General Labor Confederation (GLC), Hizballah has been exerting almost full control over the GLC for the last three years. The GLC has totally ignored labor demands, and has been transformed into a political tool which Hizballah uses against the GOL to further its own interests. In the meantime, a number of dissenting GLC member confederations have established their own group, known as a Salvation Committee, and have successfully negotiated for an increase in the minimum wage. The Salvation Committee is seriously considering officially breaking away from the GLC, but needs political backing. This possible split in the GLC, the selection of a new Minister of Labor, and the election of a new GLC head will be key factors in deciding the future of labor politics in Lebanon. (septel)

MOBILE PRIVATIZATION AWAITS CABINET APPROVAL;
FORMER MINISTER FAVORS LANDLINE PRIVATIZATION

12. (U) Telecommunications Regulatory Authority (TRA) Chairman Dr. Kamal Shehadi reiterated in an informal meeting with the economic press on June 3 that the TRA is ready to launch mobile privatization if there is a political decision to that effect, and hopes the new Cabinet will approve issuing two mobile licenses to private operators in addition to a third license for Liban Telecom. Shehadi noted that the auction of the two mobile licenses can be completed

in three months, An-Nahar reported May 4. In a response to a question regarding a fourth mobile license, he said that after 2010 the TRA would have completely liberalized the mobile market and will look at new technology to license.

¶3. (SBU) Former Finance Minister Georges Corm told us June 5 that he is against selling the cellular network now because the government-owned cellular service generate close to \$1 billion in annual revenues for the Treasury (Shehadi, of the TRA, estimates the amount is closer to \$650 million annually). He believes the GOL should first privatize the landlines along with a third mobile license to generate revenues. But Corm said the GOL is "obsessed" with privatizing the mobile network and is not making any effort to transform Ogero, the public entity that operates and maintains the landlines, into a joint stock company to be known as Liban Telecom.

PETROLEUM IMPORTING COMPANIES
SUSPEND GAS DELIVERY,
ASK GOL TO INCREASE PRICES

¶4. (SBU) Petroleum importing companies did not deliver gasoline to gas stations starting June 6, following caretaker Energy Minister Safadi's decision on June 4 not to increase the retail price of gasoline for the coming week. (Note: The Ministry fixes the price of oil derivatives on a weekly basis. End note.) President of the Association of Petroleum Importing Companies Bahij Abu Hamzeh told us June 5 that maintaining previous price means a direct loss of \$45 per ton to petroleum importing companies. The Association has asked Safadi to either increase prices or implement subsidies, Abu Hamzeh said. Although he personally does not favor subsidies, companies

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cannot sustain the losses, he argued, adding that petroleum companies will not deliver gas to stations until Safadi responds. Abu Hamzeh does not expect an immediate gasoline crisis, noting that stations have sufficient quantities for at least one week.

MINISTRY OF ECONOMY AND TRADE SUSPENDS
SUBSIDY FOR AGRICULTURE EXPORTS FOR ONE YEAR

¶5. (SBU) The Ministry of Economy and Trade (MOET) suspended the Investment Development Authority of Lebanon (IDAL)'s Export Plus program for a one year period. Under that program, in place for the last seven years, the transport of certain agricultural goods was subsidized based on quantity and export destination. The MOET stated that subsidies are no longer needed following the worldwide increase in food prices. An advisor to the Minister of Economy and Trade also told us that some farmers were importing goods from Syria, where these goods are cheaper due to the relatively low price of production, and exporting them from Lebanon, while benefiting from Export Plus.

IPR STUDY TOUR PARTICIPANTS TO
ORGANIZE CONFERENCE IN JULY

¶6. (SBU) On June 4, Econ staff met with Judges Georges Okais and Henry Khoury following their participation in the USPTO/MEPI Study Tour held in the U.S. April 14-25, 2008. The judges expressed their great satisfaction with the entire program, in which they were able to learn about the US court system, as well as improve their knowledge of IPR issues. However, they commented on their perception that Lebanon in general and its laws in particular are not well understood in the U.S. The judges informed us that they will be holding a one-day conference at the Beirut Bar Association on July 2, focusing on the importance of enforcing IPR from a legal and economic perspective, to be attended by around 200 judges and lawyers. Embassy staff will attend.

LEBANESE PRESIDENT CALLS FOR CREDIT FACILITIES
FOR AGRICULTURE AND REGIONAL DEVELOPMENT

¶7. (U) In a meeting with a delegation from the Association of Banks in Lebanon (ABL) on June 2, President Michel Sleiman called on banks to provide credit facilities to help the agriculture sector and develop under-privileged regions. Sleiman stressed the need for full cooperation between the state and the ABL on reform issues, and thanked the ABL for its financial contribution to the Lebanese Army during the conflict in Nahr el-Barid in 2007.

GREENPEACE ORGANIZES PROTEST
TO INCREASE ENVIRONMENTAL AWARENESS

¶8. (U) On the occasion of World Environment Day on June 5, members of Greenpeace in Lebanon organized a peaceful protest in front of Sidon's seaside landfill, calling for the establishment of marine reserves, closing all coastal dumps, and raising awareness to save the Mediterranean Sea from further environmental damage.

QATAR DONATES \$7.5 MILLION
FOR RECONSTRUCTION IN SOUTH LEBANON

¶9. (U) On May 4, the local press reported that the Qatar Authority for Charitable Activities donated \$7.5 million for the rebuilding of Bint Jbeil in South Lebanon. Qatar has reportedly funded the reconstruction of almost half the houses that were destroyed in South Lebanon during the 2006 July war.

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